

FORM ADV PART 2A: FIRM BROCHURE

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ADDITIONAL INFORMATION ABOUT VICTORY PARK CAPITAL ADVISORS, LLC ALSO IS AVAILABLE ON THE SEC'S WEBSITE AT WWW.ADVISERINFO.SEC.GOV.

REGISTRATION AS AN INVESTMENT ADVISER DOES NOT IMPLY A CERTAIN LEVEL OF SKILL OR TRAINING.

MATERIAL CHANGES

Victory Park Capital Advisors, LLC (“VPCA”) is filing an updated firm brochure with the U.S. Securities and Exchange Commission (“SEC”), to reflect the launch of VPCA’s new private investment fund VPC SBIC I, LP as well as material changes to the structure of certain of VPCA’s existing funds. Specifically, Fund I (as defined herein), which was previously structured as an open ended hedge fund, was recently converted to a closed end fund after receiving the consent of all of its investors.

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ADVISORY BUSINESS

VPCA was founded in 2007 by Richard Levy, Brendan Carroll and Matthew Ray, and is principally owned by Jacob Capital, LLC, a company which is wholly owned by Richard Levy.

VPCA acts as a discretionary investment adviser to several private funds (each, a “VPCA Fund,” and, collectively, the “VPCA Funds”). As of the date hereof, VPCA advises six “private equity” funds (three are known as “Fund I” and the remaining are known as “Fund II” (collectively the “Private Equity Funds”) and one small business investment company fund (the “SBIC Fund”).

Fund I consists of one Delaware limited partnership, one Cayman Islands exempted company and one Cayman Islands exempted limited partnership, and is a closed end fund having a term of five years following the initial closing, with two one-year options to extend.

Fund II consists of a Delaware limited partnership and two Cayman Islands exempted limited partnerships, and is a closed end fund having a term of six years from the initial closing, with two one-year options to extend.

VPCA also advises the SBIC Fund, which was formed as a Delaware limited partnership and intends to operate as a small business investment company (“SBIC”) under the SBIC Act and conduct the activities described under the SBIC Act. The SBIC Fund has commenced the application process for a SBIC license from the Small Business Administration (“SBA”). Upon issuance of the SBIC license and compliance with SBA regulations, the SBIC Fund will have access to up to 2.0 times the amount of capital committed to the SBIC Fund by investors through the issuance of non-recourse debentures guaranteed by the SBA.

The SBIC Fund has a term of 10 years from the initial closing, with two one-year options to extend. As an SBIC, the SBIC Fund will have the powers and responsibilities and be subject to the limitations provided in the SBIC Act. The SBA will have regulatory authority over the Fund as a licensed SBIC under the provisions of the SBIC Act. The SBIC Fund must maintain and file certain records including valuation guidelines, annual reports containing financial, management and other information, and file notices of certain material changes in its ownership and operations. The SBIC Fund will be subject to periodic examination by the SBA. Furthermore, the SBIC Fund is required to maintain certain minimum levels of capital.

VPCA’s investment strategy focuses on investing directly in the private credit and equity of small capitalization public and lower middle market private companies located primarily in the U.S. In particular, the VPCA Funds typically seek to provide direct financing to such companies that are in operational distress, are experiencing financial uncertainty or have other unique needs that may reduce the availability of traditional financing (the “Target Companies”).

VPCA has discretionary investment authority over the assets of the VPCA Funds. In addition, in a limited number of cases, VPCA provides non-discretionary advice to a small number of clients that invest directly in Target Company transactions managed by VPCA. As of August 15, 2012, VPCA manages approximately \$749.3 million of client assets on a discretionary basis, and advises clients with approximately \$71.8 million of assets invested directly in Target Company transactions.

FEES AND COMPENSATION

VPCA and its advisory affiliates, Victory Park GP, LLC, Victory Park GP II, LLC and VPC SBIC GP, LLC (collectively with VPCA, the “VPC Affiliates”) receive both asset-based and performance-based compensation from the VPCA Funds. The amount of the management fees are determined in accordance with the terms of the constituent documents of each VPCA Fund and summarized below:

Private Equity Fund Management Fees. For management of the Private Equity Funds, the VPC Affiliates are entitled to receive a quarterly asset-based management fee equal to (i) for the period from the respective initial closing of each Private Equity Fund through the third anniversary of the final date on which new investors are admitted to each Private Equity Fund (such period, the “Investment Period”), 1.75% per annum of total capital commitments of the investors in the Private Equity Funds, and (ii) after the end of the Investment Period, 1.5% per annum of the aggregate capital contributions of the investors in the applicable Private Equity Fund that have not been returned to such investors. Investors that are admitted to a Private Equity Fund after the initial closing will be required to pay the management fee that would have been paid had such investor been admitted to the fund at the initial closing, plus interest at the prime rate plus 2%.

SBIC Fund Management Fees. For management of the SBIC Fund, the VPC Affiliates are entitled to receive a quarterly asset-based management fee equal to (i) for the five year period which begins on the initial closing of the SBIC Fund and ends on the date five years from the start of such period (the “SBIC Fund Investment Period”), 1.75% per annum of the total capital commitments of the investors and the amount of SBA leverage which the SBIC Fund plans to draw from the SBA during the life of the SBIC Fund and (ii) after the SBIC Fund Investment Period, 1.5% per annum of the cost of investments that have not been written off and remain going concerns. VPC SBIC GP, LLC, as the general partner of the SBIC Fund, may require investors that are admitted to the SBIC Fund or who increase their capital commitments after the initial closing to pay the management fee that would have been paid had such investors been admitted to the fund as of the first day of the most recent calendar quarter, plus interest at 9% per annum.

The VPCA Funds’ management fees are payable in advance on the first business day of each calendar quarter. The management fees payable by the VPCA Funds may be reduced by certain third-party marketing fees, as well as “transaction fee” compensation received by the VPC Affiliates or other affiliates thereof. See “*Client Referrals and Other Compensation – Receipt of Transaction Compensation*” below. The VPC Affiliates may waive or reduce the management fee with respect to any investor in the VPCA Funds, including their affiliates or employees. Management fees are paid by drawdowns of capital commitments from investors or offset against income generated from the investments.

The VPC Affiliates are also entitled to performance-based compensation for their management of the VPCA Funds, as described in “*Performance-Based Fees and Side-by-Side Management*” below.

Investors and prospective investors should carefully review the offering documents of the applicable VPCA Fund(s) for further information about the fees charged to investors. Such documents are available only to current investors or prospective investors who are eligible to invest in such entities, as determined in the sole discretion of VPCA.

Co-Investor Management Fees. Under certain circumstances, VPCA may also render advisory services to certain clients who are allowed to “co-invest” in one or more of the same financing transactions as the VPCA Funds. These co-investor clients will be charged an asset-based advisory fee, but typically will not be charged the same performance-based compensation (as described below) as investors in the VPCA Funds (although alternative fee arrangements may be agreed with a particular client under special circumstances).

Other Fees and Expenses. The VPCA Funds will incur other expenses in connection with VPCA’s advisory services. Each VPCA Fund has incurred legal and organizational expenses in connection with its formation and initial offering, which will be borne by the applicable VPCA Fund (and, therefore, indirectly by its investors).

Each VPCA Fund will also bear ongoing expenses which include the following: (i) expenses incurred in connection with the evaluation, acquisition or disposition of investments, including private placement fees, sales commissions, appraisal fees, taxes, brokerage fees (*see “Brokerage Practices”* below), underwriting commissions and discounts, and legal, accounting, investment banking, consulting, information services and professional fees; (ii) expenses incurred in connection with the carrying or management of investments, including custodial, trustee, record keeping and other valuation and administration fees; (iii) expenses incurred in connection with the preparation of such VPCA Fund’s financial statements, tax returns and other communications with investors; (iv) attorneys’ and accountants’ fees and disbursements; (v) taxes and other governmental charges levied against such VPCA Fund; (vi) insurance, regulatory or litigation expenses (and damages), including regulatory expenses of VPCA and certain of its affiliates; (vii) expenses incurred in connection with the winding up or liquidation of such VPCA Fund; (viii) expenses relating to defaults by investors in the payment of any capital contributions; (ix) expenses incurred in connection with transactions not consummated; (x) expenses incurred in connection with any amendments to the constituent documents of such VPCA Fund and related entities, including the general partner of such VPCA Fund (if applicable); (xi) expenses incurred in connection with the formation of special purpose vehicles that may invest in such VPCA Fund, or into which such VPCA Fund may invest; and (xii) expenses incurred in connection with distributions to investors and any meetings of investors.

PERFORMANCE BASED FEES AND SIDE-BY-SIDE MANAGEMENT

The VPC Affiliates also receive performance-based compensation from the VPCA Funds, as follows:

As compensation for its management of the VPCA Funds, the VPC Affiliates will be entitled to receive distributions from the VPCA Funds (“carried interest”) when such funds distribute the proceeds from their respective investments. The carried interest due to the VPC Affiliates (if any) is determined after the investors in the applicable VPCA Fund have received distributions in an amount equal to their aggregate unreturned capital contributions in the VPCA Fund (or in some cases, a single portfolio investment), plus a “preferred return” (compounded annually) on such unreturned capital contributions.

With respect to any remaining amounts to be distributed after these amounts have been distributed to the investors in the VPCA Fund, the VPC Affiliates will be entitled to receive (i) first, a “catch-up” distribution with respect to the preferred return paid to the investors (as described above), such that the VPC Affiliates receive an amount equal to 15% to 20% of the profit, and (ii) thereafter, a range of 15% to 20% of any distributable amounts (with the remaining being distributed to the investors). The carried interest with respect to a VPCA Fund will be subject to a “clawback” upon the 18-month anniversary of

the termination of the applicable investment period and upon termination of such fund to the extent amounts previously distributed to the VPC Affiliates by such fund exceed the aggregate amount due to the VPC Affiliates as their carried interest on a cumulative basis over the life of such fund. Each VPCA Fund is generally expected to make distributions of net cash proceeds from dispositions (or repayment) of its investments within 90 days of realization, and distributions of current income (such as dividends and interest income) and other income received with respect to their investments at least quarterly, in each case after paying applicable fund expenses and setting aside reserves to satisfy expenses, obligations and liabilities of the applicable VPCA Fund.

Conflicts of Interest Related to Performance-Based Compensation. A significant percentage of appreciation that would otherwise be allocated to the investors in the VPCA Funds is paid to the VPC Affiliates. Performance-based compensation may create an incentive for VPCA to make investments that are riskier or more speculative than they might otherwise select, and may create an incentive for VPCA to realize certain investments sooner than is optimal and not sell certain investments that will produce a realized loss.

TYPES OF CLIENTS

VPCA provides investment advice primarily to private investment funds operated by VPCA or the other VPC Affiliates. In limited instances, VPCA may provide investment advice to certain institutional investors, high net worth individuals, charitable organizations and family office clients who are permitted to “co-invest” in one or more financing transactions entered into by a VPCA Fund. The VPC Affiliates operate the VPCA Funds in reliance upon the exclusions from the definition of an “investment company” as described in Section 3(c)(1) and/or 3(c)(7) of the Investment Company Act of 1940 (the “Investment Company Act”). In order to qualify for these exclusions, beneficial ownership in a particular VPCA Fund is limited to (i) no more than 100 beneficial owners (with respect to VPCA Funds relying upon Section 3(c)(1) of the Investment Company Act) and/or investment in the VPCA Funds is generally limited to U.S. persons who are “qualified purchasers,” as defined in Section 2(a)(51) of the Investment Company Act (with respect to VPCA Funds relying upon Section 3(c)(7) of the Investment Company Act), as well as non-U.S. investors. In general, the definition of “qualified purchaser” includes individuals with \$5,000,000 or more in “investments” (as defined by the SEC) and entities with \$25,000,000 or more in “investments,” as well as certain other specified categories of entities.

METHODS OF ANALYSIS, INVESTMENT STRATEGIES AND RISK OF LOSS

VPCA’s investment program focuses on assembling a portfolio of credit and equity investments in small-capitalization public and lower middle market private companies, primarily in the U.S. VPCA will concentrate on investments that offer collateral protection in downside scenarios while generating current yield through receipt of ongoing interest payments and significant equity participation through both control and non-control ownership positions in the Target Company.

Investment Strategy. VPCA seeks to invest in Target Companies that VPCA believes have the potential for value enhancement as a result of current economic conditions, operational inefficiencies or prior mismanagement. VPCA will select Target Companies that satisfy certain criteria selected by VPCA. These criteria may include:

- Cooperative and competent management team
- Sustainable business model with stable and/or improving operational results
- Strong collateral and structural protection in the credit transaction
- Potential for equity participation in the Target Company or additional upside in the value of the investment

VPCA's clients will invest primarily in privately sourced and negotiated senior secured credit instruments that VPCA believes will provide its clients with an attractive yield, while also seeking to generate additional upside for its clients through control and non-control positions in the equity of the Target Company (which may include the use of securities that are "convertible" from credit instruments to equity and/or credit for equity swaps). VPCA's investments may include various types of credit structures, such as senior secured loans, bridge loans, convertible loans, specialty loans and debtor-in-possession financings. VPCA clients are expected to extend credit primarily on a senior secured basis, and VPCA generally attempts to mitigate the risk associated with these transactions by perfecting security interests against all available assets of each Target Company. VPCA's strategy generally involves credit transactions identified by VPCA, but in rare circumstances, its clients may also acquire or participate in loans originated by others. VPCA may also invest in stand-alone control or minority equity investments on behalf of its clients.

VPCA will pursue opportunities with distinct and identifiable potential for value enhancement where it can serve as a trusted advisor as well as a valued investor in the Target Company. After making an investment, VPCA will place considerable focus on active, value-added monitoring and risk management. VPCA may use various techniques in an effort to enhance the value of the investment, which may include corporate finance and business development initiatives, investor introductions and, when deemed necessary, an active operational role through board representation, observer rights and control positions.

Investment Process. The VPCA Investment Committee currently is comprised of Richard Levy, Brendan Carroll, Matthew Ray, Jeffrey Schneider and Scott Zemnick (although the investment committee with respect to a particular fund, such as the SBIC Fund, may include a subset of such persons). Richard Levy is the Chief Executive Officer, Chief Investment Officer, Managing Principal and Founder of VPCA. Brendan Carroll and Matthew Ray co-founded VPCA and also act as Principals of the firm. Jeffrey Schneider is the Chief Financial Officer and Chief Compliance Officer of VPCA and Scott Zemnick acts as VPCA's General Counsel.

VPCA may receive information about prospective investment opportunities from a number of sources, which may include opportunities presented to VPCA directly by Target Companies or by third-party investment bankers, as well as opportunities identified by Victory Park Securities, LLC ("VPS"), an affiliate of VPCA. See "*Other Financial Industry Activities and Affiliations – Victory Park Securities*" below for additional information on VPS. Potential investment opportunities are reviewed by VPCA, generally on a weekly basis.

When VPCA identifies a prospective investment, it will conduct an initial company, industry, business, financial and asset evaluation by utilizing a combination of VPCA's own proprietary processes, public filings and industry research, as well as speaking with current investors, customers, suppliers and/or other related parties. VPCA will subsequently evaluate the levels of tangible and intangible collateral value available to secure any loan made to the Target Company.

VPCA also intends to assess each investment opportunity in relation to the portfolio construction of its clients in an effort to ensure that the transaction size and industry exposure fits within such client's

investment strategy and targeted allocations, as applicable. VPCA will construct its investments with liquidity terms that it believes are appropriate for the specific Target Company's strategy.

Prior to completing an investment, VPCA will conduct due diligence with a focus on ongoing collateral, operational and financial monitoring, which is important to managing risk over the life of the investment. Third-party due diligence is used to supplement and verify VPCA's in-house due diligence. VPCA will establish the structure, the covenants, reporting and examination requirements applicable to the Target Company in an effort to continually gauge the financial health of the Target Company.

Investors and prospective investors should carefully review the offering documents of the applicable VPCA Fund(s) for further discussion of its investment objective and strategy. Such documents are available only to current investors or prospective investors who are eligible to invest in such entities, as determined in the sole discretion of VPCA.

Certain Risk Factors.

The identification of attractive investment opportunities is difficult and involves a significant degree of uncertainty. Potential clients should consider the following risks before engaging VPCA to manage their accounts.

Nature of VPCA's Investments. VPCA will invest in a variety of credit and equity securities on behalf of its clients. Typically these investments are senior secured; however, in some instances VPCA may invest in unsecured junior debt or structured equity subordinated to substantial amounts of senior indebtedness, all or a significant portion of which may be secured. In addition, these securities may not be protected by financial covenants or limitations upon additional indebtedness and may have limited liquidity. Credit instruments are also subject to other creditor risks, including (i) the possible invalidation of an investment transaction as a "fraudulent conveyance" under relevant creditors' rights laws, (ii) so-called lender liability claims by the issuer of the obligations and (iii) environmental liabilities that may arise with respect to collateral securing the obligations.

A portion of VPCA's investments will be in equity or equity-related investments which by their nature involve business, financial, market and/or legal risks. While such investments offer the opportunity for significant capital gains, they also involve a high degree of risk that can result in substantial losses. There can be no assurance that VPCA will correctly evaluate the nature and magnitude of the various factors that could affect the value of such investments. Prices of the investments may be volatile, and a variety of other factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of VPCA's activities. As a result, VPCA's performance over a particular period may not necessarily be indicative of the results that may be expected in future periods.

Some of the companies in which VPCA will invest are expected to employ considerable leverage, including leverage provided by VPCA's clients (such as the VPCA Funds), a significant portion of which may be at floating interest rates. To the extent a VPCA client is a subordinate lender or equity investor, the leveraged capital structure of portfolio companies will increase the exposure of such client's investments to any deterioration in a company's condition or industry, competitive pressures, an adverse economic environment or rising interest rates. VPCA's investments may be among the most junior financing in a portfolio company's capital structure. If a Target Company is unable to generate sufficient cash flow to meet principal and interest payments on its indebtedness, the principal amount of a VPCA client's subordinated debt investment may be at significant risk, and the value of the equity portion of the client's investment in that company may be significantly reduced or eliminated.

VPCA clients may co-invest in a company with financial, strategic or other third-party investors. Such investments will involve additional risks not present in investments where a third party is not involved, including the possibility that the co-investor may have interests or objectives that are inconsistent with those of VPCA's client or may be in a position to take action contrary to VPCA's investment objectives. In addition, VPCA's clients may in certain circumstances be liable for actions of its third party co-venturers or partners.

Companies in which VPCA invests may be subject to contingent liabilities. These liabilities may be material and may include liabilities associated with pending litigation, regulatory investigations or environmental actions, among other things. To the extent these liabilities are realized, they may materially adversely affect the value of a portfolio company. In addition, if a VPCA client has assumed or guaranteed these liabilities, the obligation would be payable from the assets of such client (which may include unfunded capital commitments of investors, where applicable). In connection with the disposition of an investment in private securities, the seller may be required to make representations about the business and financial affairs of the company typical of those made in connection with the sale of a business. The seller also may be required to indemnify the purchasers of such investment to the extent that any such representations turn out to be inaccurate. These arrangements may result in liabilities that must be satisfied by VPCA clients (and investors therein).

VPCA is likely to make minority equity investments in companies. Such companies may have economic or business interests or goals that are inconsistent with those of VPCA's clients, and such clients may not be in a position to limit or otherwise protect the value of their investment in the companies, although as a condition of making such investments, it is expected that appropriate shareholder rights generally will be sought to protect the clients' investments. VPCA's and its clients' control over the investment policies of the companies also will be limited.

Direct Lending. VPCA's clients may provide direct lending to portfolio companies. VPCA's success in achieving its investment objectives will depend heavily on its analyses of these potential borrowers' creditworthiness. VPCA's investment strategy generally focuses on small-capitalization public and lower middle market private companies that may have little or no track record, so there can be no assurance that VPCA can accurately determine the creditworthiness of such borrowers. VPCA's performance could be adversely affected if a borrower defaults on its loan payments. If a promissory note or other credit instrument were to become subject to such an event of default, VPCA's clients may incur significant expenses in exercising their rights as a secured or unsecured creditor that will adversely affect the value of their investment. Alternatively, upon an event of default, VPCA may choose to enter into negotiations or restructuring of a borrower's loan which may entail, among other things, a substantial reduction in the interest rate and/or a substantial writedown of the principal of the loan, each of which could have a material adverse effect on VPCA's clients.

VPCA is not restricted from making second lien, mezzanine, subordinated or unsecured loans on behalf of its clients. When a borrower defaults on an unsecured loan the lender's only recourse against the borrower is generally to accelerate the loan and enter into costly litigation to recover the outstanding principal and interest. There is no assurance that such litigation would result in full repayment of the loan. Also, see "*Second Lien Loans*," "*Mezzanine Loans*," and "*Subordinated Loans*" below.

Second Lien Loans. The loans originated or acquired by VPCA clients may include second lien loans. Second lien loans are subject to the same risks associated with loans in general described above under "*Direct Lending*." However, second lien loans are subordinate in right of payment to one or more senior secured loans of the related borrower and therefore are subject to additional risk that the cash flow of the related borrower and the property securing the loan may be insufficient to repay the scheduled payments to the lender after giving effect to any senior secured obligations of the related borrower. Second lien

loans are also expected to be a more illiquid investment than senior secured loans for such reason. There also is less likelihood that VPCA will be able to sell participations in second lien loans that it originates or acquires on behalf of its clients, which would expose VPCA's clients to increased risk.

Subordinated Loans. The loans originated or acquired by VPCA on behalf of its clients may include subordinated loans. Subordinated loans are subject to the same risks associated with loans in general described above under “—*Direct Lending.*” However, because subordinated loans represent the most subordinated class of a borrower's debt structure and are expected to be unsecured, subordinated loans represent a highly leveraged investment in the borrower which (aside from equity) suffers the greatest risk of loss including a risk of loss of the entire investment. Subordinated loans are also expected to be particularly illiquid investments. There can be no assurance that VPCA will be able to sell participations in subordinated loans that it acquires on behalf of its clients, which would expose VPCA's clients to increased risk.

Mezzanine Loans. The loans originated or acquired by VPCA on behalf of its clients may include mezzanine loans. Mezzanine loans are subject to the same risks associated with loans in general described above under “—*Direct Lending.*” However, mezzanine loans are not a senior secured obligation of the related borrower and may be unsecured, and therefore are subject to the additional risk that the cash flow of the related borrower and the property securing the loan (if any) may be insufficient to repay the scheduled payments to the lender after giving effect to any senior obligations of the related borrower. Mezzanine loans are also expected to be highly illiquid investments. There can be no assurance that VPCA will be able to sell participations in mezzanine loans that it originates or acquires, on behalf of its clients, which would expose VPCA's clients to increased risk. Mezzanine loans originated or acquired by VPCA's clients will be subject to certain additional risks to the extent that such loans may not be protected by financial covenants or limitations upon additional indebtedness.

Special Situations. VPCA's clients may invest in (or lend to) companies involved in or undergoing work-outs, liquidations, spin-offs, reorganizations, bankruptcies or other catalytic changes or similar transformative transactions. Such investments may include debtor-in-possession financing. In any investment opportunity involving any such type of special situation, there exists the risk that the contemplated transaction either will be unsuccessful, will take considerable time or will result in a distribution of cash or a new security with a value less than the purchase price of the security or other financial instrument in respect of which such distribution is received. Similarly, if an anticipated transaction does not in fact occur, a VPCA client may be required to sell its investment at a loss. Because there is substantial uncertainty concerning the outcome of transactions involving financially troubled companies in which VPCA's clients may invest, there is a potential risk of loss by a VPCA client of its entire investment in such companies.

Preferred Stock and Convertible Instruments. VPCA may invest in preferred stocks and convertible instruments on behalf of its clients. In the case of preferred stocks, holders are often entitled to receive fixed dividends from the issuer, and their claim on the issuer's income and assets ranks before that of holders of common stock, but after that of creditors. VPCA may also invest in convertible securities and warrants on behalf of its clients. Convertible securities are generally debt or preferred stock securities that may be converted at either a stated price or a stated ratio into underlying shares of common stock. Warrants are securities that permit their owners to purchase a specific number of stock shares at a predetermined price in the future.

There are specific risks associated with preferred investments. An issuer typically may redeem its preferred securities at predetermined redemption prices. Any such redemption may negatively impact a client's performance if redemption proceeds from redeemed investments cannot be reinvested in securities paying comparable rates of return. Generally, holders of preferred investments have no or very

limited voting rights with respect to the issuer. The holders may be negatively impacted if they have no input into the manner in which the issuer is conducting its business and the securities are illiquid, making it difficult for the holders to divest themselves of the securities. The dividends from a preferred investment could be non-cumulative, meaning that at any given time, the holder would only have a claim for the dividends of the immediate period, not past periods during which the issuer did not have sufficient earnings to pay dividends.

Preferred securities are typically subordinated to bonds and other debt instruments of the issuer and therefore are subject to greater credit risk than such securities, meaning that there is a risk that the investment will decline in price or the issuer will fail to make a dividend or interest payment when due because of a degradation in its financial status. Preferred investments also are subject to interest rate risk.

Investments in Lower Middle Market Private Companies. Investments in lower middle market companies such as those VPCA targets, while often presenting greater opportunities for growth also entail larger risks than are customarily associated with investments in large companies. Medium-sized companies may have more limited product lines, markets and financial resources, and may be dependent on a smaller management group. As a result, such companies may be more vulnerable to general economic trends and to specific changes in markets and technology. In addition, future growth may be dependent on additional financing, which may not be available on acceptable terms when required. Furthermore, there is ordinarily a more limited marketplace for the sale of interests in smaller, private companies, which may make realizations of gains more difficult, by requiring sales to other private investors. In addition, the relative illiquidity of private equity investments generally, and the somewhat greater illiquidity of private investments in small- and medium-sized companies, could make it difficult for VPCA to react quickly to negative economic or political developments.

Difficulty of Locating Suitable Investments. VPCA's clients must rely upon VPCA's ability to identify, structure and implement investments consistent with its investment objectives and policies. There can be no assurance that there will be a sufficient number of suitable investment opportunities to enable VPCA to invest all of its clients' committed capital in opportunities that satisfy their investment objectives, or that such investment opportunities will lead to consummated investment transactions on behalf of such clients. Identification of attractive investment opportunities is difficult and involves a high degree of uncertainty. VPCA's clients will compete for the acquisition of investments with many other investors, some of which will have greater resources than VPCA. Such competitors may include other private investment funds as well as individuals, financial institutions and other institutional and strategic investors. Further, there can be no assurance that VPCA will correctly evaluate the nature and magnitude of the various factors that could affect the value of its clients' investments. A variety of factors that are inherently difficult to predict, such as domestic or international economic and political developments, may significantly affect the results of VPCA's activities and the value of its clients' investments.

Unseasoned Issuers. VPCA may invest a portion of its clients' assets with unseasoned issuers, some of which may have been in operation for only a few years or less. The risks of investing in such companies are generally greater than investments in more established companies or opportunities. Some unseasoned issuers may be new or relatively new and have little or no operating history upon which their performance can be evaluated.

Portfolio Concentration. The investment portfolios of VPCA's clients may include a small number of large positions. While this portfolio concentration may enhance total returns to the clients, if any large position has a material loss, then returns to the clients may be lower than if they had invested in a well diversified portfolio.

Uncertain Exit Strategies. VPCA will be unable to predict with confidence what, if any, exit strategy will ultimately be available for many of its client's investments. Exit strategies which appear to be viable when an investment is initiated may be precluded by the time VPCA decides to dispose of such investment due to economic, legal, political or other factors. The success of VPCA's investment strategy depends on its ability to successfully exit, and thereby realize the value of, a significant number of its investments on behalf of its clients.

Provision of Managerial Assistance and Control. VPCA may structure investments for certain clients so that they will be considered venture capital operating companies ("VCOC") within the meaning of the U.S. Department of Labor regulations under the Employee Retirement Income Security Act of 1974, as amended. This may require that such clients obtain rights to participate substantially in and to influence substantially the conduct of the management of the majority of the companies in which such clients invest. VPCA typically will designate directors (and potentially non-executive chairmen) to serve on the boards of directors of its clients' portfolio companies, which may include advisory affiliates of VPCA. See "*Client Referrals and Other Compensation – Portfolio Company Management Positions*" below. The designation of directors and other measures contemplated to secure VCOC status could expose the assets of such clients to claims by a portfolio company, its security holders and its creditors. The exercise of control over a company imposes additional risks of liability for environmental damage, product defects, failure to supervise management, violation of government regulations and other types of liability. If these liabilities were to occur, VPCA's clients could suffer significant losses in their investments. While VPCA intends to manage its clients' accounts in a way that will minimize exposure to these risks, the possibility of successful claims cannot be precluded.

SBIC Regulatory Considerations; Risks of Leverage. If licensed, the SBIC Fund will be subject to SBA regulations that generally prohibit it from investing in a company unless the company has a net worth (excluding goodwill) of less than \$18 million and average after-tax income (exclusive of loss carry-forwards) for the prior 2 years of less than \$6 million. Companies failing that test may still qualify if they meet certain size standards for their industry group which are based on the number of employees (typically 500 for a manufacturing company) or gross revenues. A further requirement is that at least 25% of the SBIC Fund's investments (in dollars) must be made in "smaller enterprises", which are defined as companies with a net worth of not more than \$6 million and average after-tax income (exclusive of loss carry-forwards) for the prior 2 years of less than \$2 million. In addition, any funds made available by the SBA are subject to federal funding limitations and SBA approval. Existing SBA policies and funding may change in ways that would impair an SBIC investment vehicle's ability to issue SBA Debentures and thereby achieve the SBIC Fund's investment objectives. As debt instruments, the SBA Debentures would rank senior to equity interests in the SBIC Fund.

An SBIC that issues debentures, such as the SBIC Fund, generally may only distribute to its investors any net realized, cumulative earnings less unrealized depreciation on portfolio companies (but excluding unrealized appreciation). An SBIC issuing debentures may not make returns of capital to investors in excess of two percent (2%) in any fiscal year without the prior written approval of the SBA. The typical effect of this restriction is to require a prepayment of debentures as capital is returned to investors.

The SBIC Program is federally funded, and as such, is subject to the congressional budget and any appropriations that may or may not be approved in any given year. Federal funds allocated to the SBIC Program provide the foundation for the SBA's annual budget and the availability of leverage to SBICs. If the SBIC Program does not receive adequate funding, then the leverage available to existing and newly licensed SBICs could be reduced or eliminated.

In the event of an SBA-imposed liquidation of the SBIC Fund pursuant to the SBIC Act, the SBA's interest would be senior in priority for all purposes to all other interests and any management fee amount would be borne exclusively by the investors (or the Fund). In certain circumstances, capital may be drawn from the investors to repay amounts drawn from the SBA.

The foregoing list of risk factors does not purport to be a complete enumeration or explanation of the risks involved with VPCA's investment program or an investment in any fund or account advised by VPCA. Prospective clients and investors must consult their own advisers before deciding whether to make such an investment. Investors and prospective investors should carefully review the sections on Risk Factors of the offering documents of the applicable VPCA Fund(s). Such documents are available only to current investors or prospective investors who are eligible to invest in such entities, as determined in the sole discretion of VPCA.

DISCIPLINARY INFORMATION

VPCA is required to disclose all material facts regarding any legal or disciplinary events that would be material to a client's evaluation of VPCA or the integrity of VPCA's management. VPCA has no such information to report.

OTHER FINANCIAL INDUSTRY ACTIVITIES AND AFFILIATIONS

VPCA has engaged and may in the future engage service providers for client accounts (including the VPCA Funds) that are affiliates of VPCA, and has invested and may in the future invest on behalf of its clients in transactions sourced, underwritten, distributed by or otherwise sponsored by affiliates of VPCA, as further described below. The use of affiliated service providers, underwriters, distributors or sponsors may create certain conflicts of interest, including between VPCA's duties to its clients and investors and its incentive to direct business to such affiliates. The use of such affiliates could impair the ability of VPCA to obtain the most favorable terms for services and transactions provided to its clients. Certain of the key affiliate relationships related to VPCA's management of client accounts are described below.

Victory Park Securities. VPS is a registered broker-dealer and a member of the Financial Industry Regulatory Authority ("FINRA"). Among other sources, VPCA will utilize the services of VPS, an affiliate of VPCA that is owned by Brendan Carroll, Richard Levy, Matthew Ray and certain VPS employees to source potential investment opportunities both for VPCA's clients and for third parties. VPS is expected to receive closing and financing fees from the Target Companies in connection with the transactions that they source for VPCA's clients ("VPCA Fees"), although VPCA Fees are not expected to comprise a majority of VPS' overall revenues. VPCA and/or its other advisory affiliates are expected to receive a portion of the VPCA Fees, which creates a potential conflict of interest by providing an incentive for VPCA and its affiliates to cause VPCA's clients to make investments they might not otherwise make, or for structuring such investments for the purpose of obtaining VPCA Fees for themselves and for VPS, to the possible detriment of the deal terms accorded to VPCA's clients. However, VPCA will make such an investment on behalf of its clients only upon terms that it determines are fair and reasonable in comparison to terms available in arms-length transactions with unaffiliated parties, and discloses the terms of its agreements with VPS to the VPCA Funds' Advisory Committees (if any), which includes representatives of certain investors in such VPCA Funds. In addition, it is anticipated that the fees charged by VPS in connection with an investment by a VPCA client will be

lower than those that would be charged in connection with investments sourced by third parties. Finally, the amount of the VPCA Fees received by VPCA from VPS or its advisory affiliates is anticipated to be immaterial in relation to the total fees earned by VPCA.

Victory Park Management. Victory Park Management, LLC (“VPM”) is a wholly-owned subsidiary of VPCA that acts as the collateral manager for the financing transactions entered into by the VPCA Funds and is responsible for collecting loan payments from the borrowers under such transactions on behalf of VPCA’s clients. VPM typically collects due diligence deposits and collateral maintenance fees from the borrowers under VPCA’s financing transactions, from which VPM pays third party service providers and its operating costs. In addition, the costs associated with consummating lending transactions on behalf of VPCA’s clients generally will be allocated first to VPM to be paid out of the deposits and fees collected by VPM from the relevant borrower, and costs in excess of such deposits and fees will be allocated among VPCA’s clients participating in that transaction. VPCA may have an incentive to engage its affiliate, VPM, as collateral manager to the VPCA Funds. However, the deposits and fees charged by VPM are primarily used to pay third party service providers and have generally been set to limit or entirely eliminate any revenue in excess of its costs generated by VPM. In addition, VPCA discloses the deposits and fees paid by borrowers to VPM to the VPCA Funds’ Advisory Committees (if any), which includes representatives of certain investors in such VPCA Funds.

Management of Other Client Accounts. Certain inherent conflicts of interest may arise from the fact that VPCA may carry on substantial investment activities for multiple VPCA Funds and other clients simultaneously. VPCA may give advice and recommend investments to, or engage in investment transactions for, certain of its clients, which advice or investments may differ from advice given to, or investments made for, other VPCA clients, even though their investment objectives may be the same or similar.

As described above, VPCA acts as an investment adviser to multiple VPCA Funds, and may also act as investment adviser to other clients. The investment methods and strategies that VPCA uses to manage a VPCA Fund may be used by VPCA when managing another VPCA Fund or other client accounts. VPCA and/or its affiliates may have a conflict of interest in rendering advice to a particular client (including a particular VPCA Fund) because the financial benefit from managing another client’s account may be greater, which could provide an incentive to favor such other account.

VPCA has established policies and procedures for allocation of investment opportunities among the various VPCA Funds in a fair and equitable manner, taking into consideration the characteristics of each such fund. Pursuant to these policies, VPCA first analyzes the appropriateness of the investment for the various VPCA Funds based on their available assets (including unfunded capital commitments), existing investments in the Target Company (in the case of follow-on investments) and applicable contractual and regulatory considerations (including, but not limited to, applicable risk and concentration limits, potential tax impact of the investment and compliance with the Employee Retirement Income Security Act of 1974).

VPCA’s allocation policies require that investment opportunities first be allocated to the VPCA Funds, if appropriate; however, if there is any remaining capacity in an investment opportunity after VPCA has determined the allocation of such investment among the participating VPCA Funds (in light of the considerations described above or other limiting factors), VPCA may offer certain strategic investment partners an opportunity to co-invest in such investment opportunity. VPCA’s allocation policies provide that such co-investment opportunities will generally be offered first to such investors who are invested in a VPCA Fund that is participating in the underlying investment, subject to any pre-existing rights of first refusal. Once the interested co-investors have been identified, the opportunity will generally be allocated

pro-rata among the co-investors, based on the size of their respective investments in the VPCA Funds, unless otherwise agreed.

CODE OF ETHICS, PARTICIPATION OR INTEREST IN CLIENT TRANSACTIONS AND PERSONAL TRADING

Code of Ethics. VPCA has adopted a Code of Ethics for all supervised persons of the firm describing its high standard of business conduct, and fiduciary duty to its clients. The Code of Ethics includes provisions relating to the confidentiality of client information, a prohibition on insider trading, a prohibition of rumor mongering, reporting requirements for certain gifts and business entertainment items, and personal securities trading procedures, among other things. All supervised persons at VPCA must acknowledge the terms of the Code of Ethics annually, or as amended.

VPCA's Code of Ethics includes a personal securities trading policy that applies to the personal trading accounts of all of VPCA's "Access Persons" (as described in the Code of Ethics), including accounts for certain members of their families and households and certain related entities. Access Persons are required to pre-clear all securities transactions in such personal trading accounts with the Chief Compliance Officer (or his designee), except for transactions in certain non-reportable securities (e.g., U.S. government securities, money market fund shares). The Chief Compliance Officer maintains a "restricted list" of securities that may not be traded by Access Persons, which includes all companies that VPCA or one of its clients owns stock or controls one of more board seats, as well as all of the publicly-traded affiliates of such companies and companies in which VPCA has material non-public information. Access persons are required to file reports of their personal securities holdings on an annual basis, as well as quarterly securities transaction reports.

A copy of VPCA's Code of Ethics may be obtained from VPCA's Chief Compliance Officer, Jeff Schneider, at (312) 705-2792.

Principal Trades. A principal trade is a transaction between VPCA or an affiliate thereof and a client account. Pursuant to Section 206(3) of the Investment Advisers Act of 1940, as amended (the "Advisers Act"), any principal trade must be disclosed to, and requires the consent of, the VPCA Fund or other client that is opposite VPCA or its principals or affiliates in such principal trade. Principal trades create a potential conflict of interest between the duties of VPCA and/or its principals and affiliates to VPCA's clients and their desire to maximize their own profits or obtain other benefits with respect to their proprietary trading activities. To help mitigate this potential conflict of interest, the VPCA Funds have engaged Arthur F. Bell, Jr. & Associates, L.L.C. to act as "independent client representative" (or "ICR") on behalf of each of the VPCA Funds. The role of the ICR is to act as the agent of any VPCA Fund to give or deny such fund's consent to any transaction in which such fund purchases securities or other instruments from, or sells securities or other instruments to, another VPCA Fund (i.e., cross trades) or to VPCA or its principals or affiliates (i.e., principal trades).

Cross Trades. VPCA may effect cross trades between clients where it determines that such trades are in the interest of both clients. VPCA and/or its affiliates may have a potential conflict of interest when engaging in cross trades on behalf of its clients, as they may have financial incentives (such as the receipt of higher management fees or fees related to the purchase or sale transaction) to engage in such transactions and/or to favor certain client accounts over others. As indicated above, to help mitigate this potential conflict of interest, the VPCA Funds have engaged Arthur F. Bell, Jr. & Associates, L.L.C. to

act as “independent client representative” to act as the VPCA Funds’ agent in reviewing and granting consent to cross trades and certain other transactions.

Co-Investment by VPCA and its Affiliates. As a matter of firm policy, VPCA and its advisory affiliates generally do not co-invest in investments made by the VPCA Funds.

BROKERAGE PRACTICES

As described above, it is anticipated that the majority of the investment transactions entered into by VPCA on behalf of its clients will be privately negotiated lending or investment transactions with Target Companies. However, in the event that VPCA purchases or sells publicly traded securities on behalf of its clients, it may use the services of a broker-dealer or prime broker. In such event, VPCA or its advisory affiliates will select the broker-dealers used to execute transactions on behalf of such client.

The VPC Affiliates have discretion to select different brokers to be used for each transaction for their clients and to negotiate the rates and commissions their clients will pay. The VPC Affiliates may not adhere to any rigid formula in making the selection of brokers, but will weigh a combination of criteria consistent with their obligation to seek “best execution” for their clients. In selecting brokers to execute transactions, the VPC Affiliates need not solicit competitive bids and does not have an obligation to seek the lowest available commission cost. Brokers will be selected generally on the basis of best execution, which may be determined by considering, in addition to price and commission rates, other factors including special execution capabilities, clearance, settlement, other transaction charges, block trading and block positioning capabilities, financial strength and stability, efficiency of execution and error resolution, the availability of stock to borrow for short trades, custody, recordkeeping and similar services.

Research and Other Soft Dollar Benefits. VPCA currently has no soft dollar arrangements with any broker in connection with securities transactions undertaken on behalf of its clients.

Aggregation and Allocation of Client Orders/Investments. As noted above, VPCA’s investments on behalf of its clients do not customarily involve the execution of securities transactions by a broker-dealer or prime broker. With respect to the privately negotiated lending and investment transactions undertaken by VPCA, VPCA has an established methodology for the allocation of such investments among the VPCA Funds. See “Other Financial Industry Activities and Affiliations – Management of Other Client Accounts.”

REVIEW OF ACCOUNTS

Account Reviews. The VPCA Funds have engaged third-party fund administrators who provide day-to-day administrative and bookkeeping services to the funds. The investments of the VPCA Funds are regularly reviewed by VPCA’s portfolio managers. In addition, the bookkeeping records maintained by the fund administrator are reconciled to VPCA’s records by VPCA’s operations personnel, under the supervision of the Chief Financial Officer, generally on a quarterly basis.

Client Reporting. VPCA furnishes audited financial statements and tax information necessary for the completion of tax returns annually to all investors in the VPCA Funds. Such investors are also provided

with quarterly unaudited reports including information regarding such fund's performance, portfolio composition, Target Company financial information and collateral overview and the current balance of the investor's investment in such fund.

CLIENT REFERRALS AND OTHER COMPENSATION

Receipt of Compensation. In connection with the investments of VPCA's clients, various "transaction fees" may be paid to VPCA or one or more of its affiliates by the Target Company or other third parties. Such fees may be retained in full by VPCA or such affiliates. "Transaction fees" include any fees received by VPCA or any of its affiliates in connection with the consummation, disposition or termination of an investment attributable to a VPCA client and/or any fees received by VPCA or any of its affiliates from a portfolio company, such as break-up fees, portfolio company management fees, advisory fees, directors' fees, investment banking and financing fees and similar fees, net of unreimbursed out-of-pocket expenses paid by VPCA or any of its affiliates which constitute client expenses (as described above in "*Fees and Compensation – Other Fees and Expenses*") and expenses reasonably anticipated to be paid in the future by VPCA or any of its affiliates which constitute client expenses. It is also expected the VPCA or certain of its affiliates will receive a portion of the fees paid to VPS for its services to the companies in which clients of VPCA may invest, as described above in "*Other Financial Industry Activities and Affiliations – Victory Park Securities*."

The receipt of transaction fees and other compensation by VPCA and its affiliates in connection with investments made by VPCA's clients creates a potential conflict of interest, as it could be seen as providing an incentive for VPCA to cause its clients to make investments they would not otherwise make, or for structuring investments for the purpose of helping VPCA and/or its affiliates obtain fee compensation at the expense the deal terms accorded to VPCA's clients. To help mitigate this potential conflict of interest, VPCA and its advisory affiliates have agreed with certain of their clients that the transaction fees received by VPCA or such advisory affiliates may offset, in whole or in part, other compensation due to the VPC Affiliates from such clients. In addition, VPCA will make an investment on behalf of its clients only after making a good faith determination that the structuring or other fee associated with the transaction (i) was made in return for bona fide services that falls outside the scope of the investment management services performed by VPCA on behalf of such client and (ii) was reasonable in relation to the nature of work performed.

Portfolio Company Management Positions. As part of VPCA's investment strategy, advisory affiliates of VPCA, including its principals, may serve in managerial roles with certain of the Target Companies in which VPCA's clients invest, and may be entitled to compensation in connection therewith. See "*Methods of Analysis, Investment Strategies and Risk of Loss – Provision of Managerial Assistance and Control*" above. The receipt of such compensation by VPCA's advisory affiliates creates a potential conflict of interest, as it could be seen as providing an incentive for VPCA to cause its clients to make investments they would not otherwise make, or for structuring them for the purpose of helping VPCA's advisory affiliates obtain compensation to the possible detriment of the deal terms accorded to VPCA's clients. However, to mitigate this potential conflict of interest, VPCA's advisory affiliates will pay any such compensation that they may receive in connection with their managerial role at a Target Company over to VPCA's clients who have invested in such Target Company (whether by offsetting fees otherwise payable by such clients or otherwise).

CUSTODY

VPCA has custody of the funds and securities of the VPCA Funds, which are maintained at one or more “qualified custodians,” as defined under Rule 206(4)-2 under the Advisers Act. A “qualified custodian” generally is a bank or savings association that has deposits insured by the U.S. Federal Deposit Insurance Corporation, an SEC registered broker-dealer, a futures commission merchant or a foreign financial institution that holds segregated customer assets. An independent public accountant registered with the PCAOB will audit each of the VPCA Funds on an annual basis, and copies of the audited financial statements will be sent to the investors in the VPCA Funds, as described above in “*Review of Accounts*.”

VPCA does not have custody of the funds or securities of its “co-investor” clients.

INVESTMENT DISCRETION

VPCA exercises discretionary authority over the accounts of its fund clients. VPCA usually receives discretionary authority from the client at the outset of an advisory relationship, by means of an investment advisory or similar agreement (or, in the case of certain VPCA Funds, through the constituent documents of the funds themselves) which grants a power of attorney in favor of VPCA to select the investments and amounts to be bought or sold for its clients. In all cases, however, such discretion is to be exercised in a manner consistent with the stated investment objectives for the particular client account. In rare cases, VPCA may agree to additional contractual diversification or concentration limitations in connection with substantial investments made by strategic investors in the VPCA Funds.

VOTING CLIENT SECURITIES

Because of the nature of VPCA’s investment program, it does not anticipate that it will regularly receive proxies with respect to securities owned by its clients. However, VPCA holds the authority to vote such proxies (if any), and has adopted proxy voting policies and procedures designed to ensure that such proxies are voted in the best interests of VPCA’s clients. Pursuant to VPCA’s proxy voting procedures, in the event that VPCA receives proxies sent to its advisory clients, the Chief Compliance Officer will be responsible for convening a meeting of VPCA’s Principals and other investment personnel with knowledge of the company to which such proxies relate, who will generally make a determination on voting such proxies by majority vote. However, VPCA may also determine to engage an independent third party to cast a particular proxy vote where VPCA determines that such engagement is in the best interests of its clients. Except as described below, clients generally may not direct specific proxy votes for the securities held in their accounts.

If VPCA identifies a material conflict of interest in casting a particular proxy vote, VPCA will generally seek to mitigate the conflict by either appointing an independent third party to vote the proxy or by disclosing the conflict to its clients (including investors in the applicable VPCA Funds) and providing them with an opportunity to vote the proxies.

Clients may obtain a copy of VPCA's complete proxy voting policies and procedures and information about how VPCA voted any proxies on behalf of their account(s) by contacting VPCA's Chief Compliance Officer, Jeff Schneider, at (312) 705-2792.

FINANCIAL INFORMATION

VPCA is required to provide you with certain financial information or disclosures about its financial condition. VPCA has no financial commitment that impairs its ability to meet contractual and fiduciary commitments to clients, and has not been the subject of a bankruptcy proceeding.

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